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JAYANTI SHIPPING ENQUIRY COMMITTEE REPORT
11TH JULY, 1986
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I M P O R T A N T

All figures expressed in terms of rupees in this Report are based on the value of the rupee before devaluation. We are unable to revise these figures owing to lack of accurate information about the foreign exchange component in various items of the relevant data.

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JAYANTI SHIPPING ENQUIRY COMMITTEE REPORT

APPOINTMENT OF THE COMMITTEE

On the 18th March, 1966, the Minister for Transport and Civil Aviation announced in the Rajya Sabha the appointment of a Committee of Enquiry to investigate and report on the various allegations made in Parliament and in communication, signed and anonymous, received by the Government and the Shipping Development Fund Committee against the Jayanti Shipping Company and its Chairman, Dr. Jayanti Dharma Teja. The Committee was to consist of (a) the Government Director on the Board of Directors of Indian Shipping Companies and (b) a nominee of the Comptroller and Auditor General of India. The terms of reference, as subsequently communicated to the Committee of Enquiry, were:-

- (i) to look into the allegations made in Parliament and in letters received by Government and the Shipping Development Fund Committee against the Jayanti Shipping Company and its management in regard to the accounts and affairs of the Company;
- (ii) to scrutinise all the relevant facts relating to the management and operations of the Company since its incorporation;
- (iii) to examine and inspect the accounts and other documents as may be necessary with a view to assessing its financial position and ascertaining whether the foreign exchange earned has been duly accounted for; and
- (iv) any other specific matter which may be referred to it by the Government or the Shipping Development Fund Committee.

A summary of the allegations which the Committee was called upon to investigate is given in Annexure 'A'.

Committee
commenced
work on the
15th April,
1966.

2. The Committee consisting of Shri Y.N. Sukthankar, Government Director, and Shri S.L. Bhalla, nominee of the Comptroller & Auditor General of India assumed charge and commenced its work on 18th April, '66. It was required to submit its report within two months. This period was, however, subsequently extended by one month till the 17th July, 1966.

Capital
Structure
of the
Company

3. The Jayanti Shipping Company was incorporated as a private limited company on the 10th February, 1961, under the Company's Act, 1956, with an initial paid up capital of Rs.200/- only. In March, 1962, the Company raised its capital to Rs.1.50 crores, made up of 1,50,000 equity shares of Rs.100/- each. The Chairman of the Company, Dr. Teja, affirms to be a non-resident Indian, while the other principal shareholder, Mr. M.M. Kulkundis, is a British citizen. Dr. Teja took shares of the value of Rs.1,12,50,000 (i.e. 75%) and Mr. Kulkundis of the value of Rs.37,50,000 (i.e. 25%). Further capital to the extent of Rs.1.3~~0~~ crores was issued during 1962-63 and 1963-64. Most of this additional capital, too, was subscribed by Dr. Teja and Mr. Kulkundis in almost the same proportion. The total

paid up capital of the Company now stands, accordingly, at Rs.2.88 crores, about 74% of which is held by Dr. Teja, about 24% by Mr. Kulkundis and the balance by about a dozen other Indian shareholders. The Company was converted into a public limited company on 15th April, 1963. The authorised share capital of the Company is Rs. 5 crores, divided into 5 lakh shares of Rs.100/- each.

Scheme for purchase of ships on deferred payments

4. In November, 1960, Dr. Teja submitted a scheme to the Government of India for the acquisition of a fleet of bulk carriers and tramp ships, aggregating about 2,75,000 DWT. These were to be constructed in foreign shipyards on deferred payment terms at an estimated cost of Rs.22.50 crores. The total amount to be advanced to Dr. Teja for this purpose was 90% of the actual cost. The balance 10%, as well as the interest accruing on deferred payments to the shipyards, were to be met by Dr. Teja. The loan to be advanced by Government was to be spread over a period of 7 years. The repayment of loan by Dr. Teja was to be staggered over a period of 16 years. The refund of the annual instalments by Dr. Teja as well as the payment by him of interest accruing on the outstanding amount were to go on concurrently with the advance of further instalments of the loan to him by Government. The maximum loan outstanding at any time was thus to be not more than about Rs.15 crores. The amount outstanding at present is Rs.6.35 crores.

Merits and
Demerits of
the scheme

5. The acquisition of the proposed fleet would have enabled the country to reach the shipping target fixed for the Third Plan. The proposal would, besides, bring on to the Register of Indian merchant fleet an addition of tramp tonnage of the type of bulk carriers in which it was deficient at that time. The acquisition of this tonnage was also expected to earn a substantial amount of foreign exchange, which was to be utilised by the Jayanti Shipping Company to meet the cost of the ships over the stipulated period. While other Indian shipping companies had been asking for the entire loan to be paid to them at the time of delivery of the ships, the Jayanti Shipping Company had asked for only 10% of the loan to be paid to them in the first instance. Although these were the attractive features of the scheme, Government had also to consider certain other features such as heavy interest on account of deferred payment terms, Dr. Teja's status as non-resident Indian and the varying fortunes of the trade in which his ships were to be employed.

Scheme approved
and loan
sanctioned.

6. The Government, after taking into consideration all the pros and cons, approved the scheme and sanctioned a loan of Rs.20.25 crores as applied for. For this purpose, an irrevocable guarantee was also given by the State Bank of India to the Japanese shipyards. The arrangement for this guarantee was made by the Government of India on the insistence of the Japanese

Shipyard and at the request of the Jayanti Shipping Company. The contracts entered into by the Jayanti Shipping Company with Japanese Shipyard on 9.11.1961 for the construction of 8 bulk carriers of about 20,000 DWT, each costing approximately Rs.2.1 crores, were also approved by the Government in due course. The Shipping Development Fund Committee stipulated, however, that the total amount of loan to be advanced to the Jayanti Shipping Company should not exceed Rs.20.25 crores. It also laid down certain conditions which the Company had to fulfil before the Shipping Development Fund Committee made any payment to the foreign shipyard on behalf of the Jayanti Shipping Company.

Rapid growth
of the
Company

7. The Jayanti Shipping Company commenced its shipping activities in 1961-62 by acquiring 'Adi Jayanti', a tanker of 33,015 DWT. In 1962-63, the Company acquired 13 more vessels, comprising of 7 Liberty vessels, 5 cargo ships and one bulk carrier, making a total tonnage of 1,64,000 DWT. All these additions were made within a few months only, i.e. from October, 1962 to April, 1963. During the financial year 1963-64, the company acquired five more bulk carriers aggregating to 1,66,348 DWT. In the year 1964-65, the Company added one super oil tanker (54,350 DWT) and three oil-cum-ore carriers totalling 1,82,625 DWT. At the end of 1964-65, the Company's

fleet thus consisted of a total tonnage of about 5,33,000 DWT, out of which only 8 bulk carriers and 3 oil-cum-ore carriers totalling 3,28,020 DWT were financed, to the extent of 90% of their cost price, by a loan sanctioned by the Shipping Development Fund Committee. By the end of April, 1966, the fleet of the Company was, however, reduced to 21 vessels of 5,00,000 DWT, as four vessels had in the meanwhile been disposed of. Inspite of this reduction, it must be recorded that the Company has registered a very fast rate of growth unparalleled by any other Indian shipping company.

Special
features of
the Jayanti
Shipping
Company

8. Dr. Teja was thus able to start the Jayanti Shipping Company with some encouragement from Government of India. The most important features of the growth of the Jayanti Shipping Company, as compared with the other Indian shipping companies, were that its fleet was acquired, mainly, on credit and that it started bringing in substantial foreign exchange on account of charters entered into as soon as the ships were launched. In its early years of growth, the Company and Dr. Teja received encomiums from certain quarters for his "pulling himself up by the boot strap" operations. Apparently, encouraged by this early success, Dr. Teja wanted to expand his fleet still further. In the last quarter of the year 1963, accordingly, he applied to the Controller of Capital

Issues for sanction to the issue of additional capital to the extent of Rs.2.10 crores. He had hoped to bring in some additional foreign investment too. But there was no response to his feelers, whether in India or outside. His method of "unique financing", to which he drew attention of the shipping community at the Annual General Meeting of the Company in September, 1963, was to persuade a bank to give a guarantee to the shipyard for an initial payment equal to 10% of the purchase price plus interest accruing on the entire cost. The security given to the bank for this purpose was one or more of the following:-

- a) A suitable fixed deposit with the bank to be built up progressively to match the payment due to the foreign shipyard;
- b) Assignment of the right to collect charter hire of the vessel;
- c) Mortgage of one or more vessels of the Company; and
- d) Personal guarantee of Dr. Teja and/or other Directors.

An insurance company had, besides, to give a counter-guarantee to the bank giving the initial guarantee. The consideration to the insurance company for this counter-guarantee was the business of hull insurance of the vessel, plus mortgage of any unencumbered vessel, plus counter-indemnity by the Jayanti Shipping Company. The complicated nature of this financing method hardly needs any further comment.

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9. While this method of "unique financing" resulted in acquisition of a large and varied fleet during a very short period, it left no scope for any free funds or liquid resources to finance the heavy current expenditure required for the maintenance and day-to-day operations of such a fleet. As explained earlier, current earnings were already mortgaged, to a large extent, for financing deferred payments on capital account or repayment of the loan instalments due to the Shipping Development Fund Committee. Dr. Teja should have appreciated the need for adequate working capital. But he either failed to anticipate this situation and make sufficient provision for working funds, or possibly expected further financial assistance from Government. It is also not unlikely that the "self-financing" arrangements, under which he was able to employ his ships as soon as they were delivered, made him over-confident. Anyway, a number of claims for services rendered and supplies made to the Jayanti Shipping Company, which were not met in time, went on accumulating fast. By the end of 1963, the Company had on hand a large number of unpaid bills, for which it had no adequate resources to draw upon. With further lapse of time, the various creditors, such as the oil companies, ship-repairers, suppliers of victuals, etc., tailoring companies which supplied uniforms to its

employees, and various agencies which catered to its requirements, started entertaining doubts about the credit-worthiness of the Company. When such demands on the Company became too insistent, it tried to satisfy a few of them, only to find pressing claims pouring in from all other creditors. Dr. Teja should have taken serious note at this stage of the rapidly deteriorating financial situation of the Company and remedied the position by injecting fresh capital from his own or other resources abroad which he had often given government to understand he could draw upon. Instead, however, he resorted to further borrowings from banks and other financial institutions. Accordingly, even the small unencumbered surplus of cash inflow accruing to the Company got tied up very soon as a result of further guarantees, deposit build-ups, assignment of income from charter and other safeguards demanded by the banks and financial institutions.

Managing Director complains

10. Dr. Teja was also assailed by serious accusation by one of his own principal officers in the Company.

The Managing Director, Shri Narayana, his nephew, complained openly at a Board meeting that although he was the Managing Director, neither he nor the Board was kept informed of the various financial arrangements which Dr. Teja was making from time to time from his far off headquarters in the South of France. He as well as the Board came to know of them only when Dr. Teja wanted the Board's approval, which was generally

ex-post-facto. Faced with this accusation, Dr. Teja tried to placate Narayana and win him over. He even sent him away to the U.S.A. to undergo a course in Management Training, but Narayana could not be placated or won over at that time. He went, indeed, so far as to give an anonymous memorandum to the Prime Minister's Secretariat making serious allegations against Dr. Teja about the administration and affairs of the Jayanti Shipping Company. Shri Narayana was, of course, later persuaded to deny formally that he had ever submitted any anonymous complaint. Anyway, the substance of this anonymous complaint had received publicity and this factor, together with the Company's continued failure to meet its liabilities had damaged the Company's reputation. Its affairs were also subjected to serious criticisms in Parliament and in the Press.

~~Managing
Director
vacancies - Post
vacant
virtually
filled~~

11. Shri Narayana resigned as Managing Director with effect from 1st December, 1965, and the post has remained virtually unfilled ever since. The urgent need for appointing a suitable Managing Director with adequate experience of shipping, commerce or industry, either in the private or public sector, was impressed on Dr. Teja by some of his colleagues and others. He readily agreed to the need for such an appointment, but when the time came to choose a candidate from a panel of names given to him, he rejected most of them as unsuitable, and even cut off those whom he considered

suitable, he could not make up his mind to appoint any one. It was at last suggested to him that the overall supervision and direction of the Company should be left to a Committee of Directors. He showed readiness to accept this suggestion provided he remained Chairman of this Committee. But for some reason, this suggestion also remained unimplemented by him.

**Additions to
the Board of
Directors**

12. In December, 1965, Shri Gautam Sahgal, Managing Director of Ciba of India, was made a Director of Jayanti Shipping Company. It is significant that the Jayanti Shipping Company had taken a loan of about Rs. 40 lakhs from Ciba of India about the same time. In April, 1966, Shri Lalji Mahrotra was brought in as another Director. He was former President of the Federation of Indian Chambers of Commerce & Industry, and, later, India's Ambassador in Burma and Japan. Dr. Teja seemed to think that these two appointments will improve the image of the Company in the public eye as well as in Government circles.

**Scrutiny of
accounts and
relevant
records**

13. Under the second and third term of the Terms of Reference given to the Committee, we were required to scrutinise all the relevant facts regarding the management of the Company since its incorporation. We were also required to examine and inspect the accounts and other documents that may be necessary with a view to assess the financial position of the Company and ascertain whether or not all the foreign exchange earned

had been duly accounted for. We concentrated our attention, accordingly, on these terms of reference to begin with. We felt, indeed, that unless we examined all the books of accounts and relevant records, we would not be in a position to come to any firm conclusions in regard to the various allegations made in Parliament and in letters, anonymous or signed, received by Government. These allegations were based principally on the financial and administrative mismanagement of the Company and fell into three broad categories as under:-

- a) Financial maladministration,
- b) Administrative incompetence, and
- c) Abuse of funds.

Non-cooperation by the Company
14. Our task was, however, rendered extremely difficult, if not altogether impossible, by a complete lack of co-operation on the part of the staff of the Jayanti Shipping Company. On the 20th April, 1966, a resolution was passed by the Board of Directors of the Company extending full co-operation to the Enquiry Committee and appointing Shri Lalji Mehrotra, the then Vice-Chairman to channel all the communications received by the Company from the Enquiry Committee and co-ordinate the information to be supplied to the Committee by the various departments of the Company. Accordingly, a promising beginning was made and when Shri Bhalla went to the Central Accounts Office of the Company in Bombay, he was personally received by Shri Mehrotra who introduced him to all the heads of departments concerned and also directed them to supply

all the information required by the Committee. Matters proceeded satisfactorily for a couple of days. But hardly had the examination begun when Shri Mehrotra received a telex from Dr. Teja, who was then in the South of France, directing, inter alia, that no reply to any of our queries should be given without consulting him in advance through telex messages to be exchanged with him at his London address. Shri Mehrotra took umbrage at this development, which seemed to indicate a want of confidence in him. He, therefore, resigned his Vice-Chairmanship and Directorship and thus severed all connection with the Jayanti Shipping Company.

Dr. Teja had been given leave of absence for 6 months at the Board meeting held on 19th April, 1966 when it was specifically decided that during his period of leave, he would not exercise any powers vested in him previously. But this resolution was reversed at another meeting of the Board held on 9th May, 1966.

In view of these developments, the attitude of the members of the staff of the Jayanti Shipping Company changed and while they initially declined to supply any information, they started resorting to dilatory tactics. They pleaded their inability to supply any information in reply to any queries made by the Committee until approval to the draft replies had been received from Dr. Teja. They also insisted on receiving all queries in writing. These were supplied to them in writing, but no replies were actually received.

Company's
accounts
heavily in
arrears

15. Non-cooperation by the Jayanti staff apart, it was not found possible to make any worthwhile investigations into the current financial situation of the Company because its accounts and records were heavily in arrears. The General Ledger, for instance, had been written up, for the most part, upto the end of October/November, 1965, only. Some of the initial and subsidiary books, too, were considerably behind hand, because necessary advices regarding receipts and disbursements, etc., had not been received for many months past from the Company's branch offices in India and abroad. There had also been no audit so far of even such postings as had been made. Besides, many of the essential vouchers and documents such as those pertaining to the purchase and sale of ships, commissions and brokerage paid and received, agreement with banks for loans and advances, contracts with shipping agents and suppliers of goods and services, files indicating purposes and duration of travels abroad, etc. were withheld from us altogether or produced so unsystematically that no firm conclusions could be drawn from them. In these circumstances, it has not been possible for us to draw on these accounts for any authentic information relative to any period after the close of the year 1964-65.

Government
kept informed

16. We have, of course, kept the Government fully apprised of all developments from time to time. This was done through trunk calls, telex messages, D.O.

letters, written notes and personal discussions, as warranted by the occasion. A copy each of the following messages sent, or notes submitted in this connection, is enclosed with this report :-

- i) Telex, dated 10.5.66 .. (Annexure 'B').
- ii) D.O. letter No.19-GD(2)/66, dated 12.5.66. (Annexure 'c').
- iii) Note dated 13.5.66 .. (Annexure 'D').
- iv) Note dated 21.5.66 .. (Annexure 'E').

Show of Co-operation at last

17. The attitude of the Company's officers at New Delhi changed somewhat round about the 21st May, 1966, and we were given access to, at least some of the papers and records which had not been shown to us earlier and the very existence of a few of which had been denied previously. The situation appeared to ease still further with the arrival in New Delhi on 23rd May, 1966, of Shri B. Ananda, a senior officer of the Company in London, who was specially deputed by Dr. Teja from that end to attend to our requirements and answer any questions which we might raise. But we soon discovered that Shri Ananda had another and more pressing assignment - namely, preparation of the Company's case for the sale of four of its ships, working out the financial implications thereof, and processing this proposition with the Government of India. This assignment kept Shri Ananda almost fully occupied till the 5th June, 1966, and he had little time to spare for our enquiries.

Current Liabilities and Commitments of the Company

Our Assistants at Bombay received appreciable co-operation from the Company's staff there, inspite of instructions said to have been issued by Shri Ananda directing them to give to our Assistants every co-operation in the matter.

18. Shri Ananda had, however, with him a mass of data bearing on the current and prospective financial position of the Company. This data was stated to have been got compiled by him from the initial accounts and original records, etc., which were lying in the Central Accounts Office of the Company at Bombay and in its Branch Office in London. We had, of course, no means of verifying the correctness of this data in New Delhi. We could not also feel sure that this data was complete in all respects. However, basing our calculations on this data, Shri Ananda and we have jointly prepared a statement of (i) the current liabilities of the Company, viz., such payments as have already fallen due or would fall due by 30.6.1966, and (ii) the commitments of the Company which require to be met during the period from 1.7.1966 to 31.3.1967. According to this statement, the Company requires immediately about Rs.323.55 lakhs to meet its current liabilities and another sum of Rs.323.85 lakhs during the next nine months to meet its further commitments during that period. The Company thus requires, according to this statement, an aggregate amount of Rs.6.47 crores between now and

the 31st March, 1967. A copy of this statement is attached as Annexure 'F'.

We repeat that the statement referred to above is based on unverified data. This data may not, besides, be quite exhaustive of all liabilities and commitments, for (to say the least) the accounts of the Company are far from complete. It would, in any case, be necessary to provide for likely errors and omissions. Some of them had, in fact, come to our notice soon after the statement was prepared. We would thus reckon the Company's requirements of funds at a minimum of Rs.3.5 crores immediately and another Rs.3.5 crores within the next nine months, making an aggregate of at least Rs. 7 crores upto 31 March, 1967.

19. As against liabilities and commitments totalling about Rs. 7 crores (at the least) to be met during the next nine months, the Company had hardly any liquid funds available excepting (i) a bank balance of about Rs. 52 lakhs lying tied-up with a commitment to be met shortly, and (ii) the surplus of cash inflow over the cash outflow on account of the Company's current earnings and operational expenditure. The surplus of cash flow likely to accrue during the remaining months of the current financial year was estimated by the Company at about Rs.3.50 crores. Our estimate of this surplus was, however, about Rs.2.50 crores only, at the maximum.

Extend of additional funds required immediately

The Company was also hoping to avail of a revolving credit of about Rs.1.25 crores from its suppliers and repairers, etc. We were, however, very sceptical of any appreciable credits becoming available to the Company during at least the next few months, for its reputation in the market had suffered very badly owing to the continuing defaults in payments to all and sundry the world over. On the basis of the information available to us, we were in fact of the opinion that the Company must find fresh funds of the order of at least Rs.3.5 crores if it had to keep itself going with the existing fleet upto 31st March, 1967. A copy of the note submitted by us to Government in this connection on the 30th May, 1966, is attached as Annexure 'G'.

Dr. Teja's proposal to sell four ships abroad and the position emerging therefrom

20. On the Company making a formal and detailed proposition for the sale of 4 of its ships to cover the gap between the funds required by it and the funds available to it, we were asked by Government to examine the position likely to emerge if the proposed sale was permitted. We had no verified or verifiable data to go by, at least in so far as it was or could be extracted from the books of accounts maintained by the Company. Basing our calculations, however, on such material as the Company itself furnished to us and reviewing them in the light of our own appraisal of the surplus of cash-flow and of the availability of revolving credits, etc., we came to the conclusion that even if the

Company sold four of its ships, as proposed by it, and succeeded in securing additional subscription to its capital, as envisaged by it, it would still be faced with a deficit of about Rs. 1.52 crores in meeting all its liabilities and commitments upto the 31st March 1967. A copy of the summary of calculations submitted by us in this connection to Government is attached as Annexure 'H'.

Incompetent Management
(a) Managing Director
21. The rapidly deteriorating financial condition of the Jayanti Shipping Company referred to earlier was the result, in a great measure, of incompetant management. Dr. Teja did not care to put the administration of the Company on a sound footing. Its Managing Director, Shri Narayana, had neither any qualifications nor any experience to merit this appointment. It is, in fact, alleged that he was only a petty employee in a State Government Khadi organisation before he was appointed to the high and responsible post of Managing Director of this Company. His salary was rapidly raised, almost eight times, within less than three years as indicated below:-

<u>Date</u>	<u>Pay</u> (Rs. p.m.)	<u>Allowances, etc.</u>
from 1.9.61	495/-	
from 14.4.62	750/-	
from 1.1.63	4000/-	Plus free use of office car
from 1.12.63	3000/-	plus the following:- Free furnished residential accommodation at Delhi.

Free use of office car.

Reimbursement of medical expenses including hospitalisation for himself and his family.

Other Key Personnel

While the appointment of Shri Narayana as Managing Director on a disproportionately high salary was obviously a case of favouritism, there were also some other persons appointed to key posts who, though not lacking in ability, did not certainly have such calibre as to deserve the salary paid to them by the Jayanti Shipping Company. They were drawn, to serve as prestige symbols, from commercial concerns or from government service, in some cases after retirement, by offers of high salaries and perquisites. Actually, little use was made of them and they were not allowed to shoulder any real responsibility.

c) Directors treated with scant regard

The incompetence of administration of the Jayanti Shipping Company was evident also from several features of its working, such as generally insufficient notice for Board meetings, circulation of sketchy agenda lack of informative notes on very important subject to be considered at the meetings, poor knowledge of the staff regarding implication of the various Acts governing the working of a shipping company and its employees, etc. As a rule, the meetings were always called at short notice to suit the convenience of Dr. Teja. Government Director and other Directors had protested against the insufficiency of notice

on several occasions, but these protests were ignored. Usually, the excuse made was that Dr. Teja had pressing engagements elsewhere and the meeting had therefore to be convened at short notice to meet certain urgent requirements, legal or otherwise. The agenda for the meetings of other shipping companies are generally comprehensive. A good deal of information is supplied to the Directors through notes prepared by the office on the various subjects included in the agenda. There are notes, besides, which give details of voyages, whether completed or not, explain the financial position of the Company and furnish comparative statements showing how it stands during one quarter as against the previous quarter and/or the corresponding quarter of the previous year. Important staff matters such as appointments, promotions, leave and transfers, etc., are also brought up at Board meeting, either for the information of the Directors or their approval, as the case may be. No such information was, however, supplied with the agenda for the meetings of the Board of Directors of the Jayanti Shipping Company. Even the approved minutes of the meetings were sent to the members of the Board only after a good deal of delay, instead of within a few days, as is the practice with other shipping and commercial companies.

Principal
Factors
responsible
for mismana-
gement.

22. The regrettable situation in which the Company found itself would appear to have been brought about principally by the following factors:-

(a) The control was entirely in the hands of Dr. Teja and he exercised it from abroad. He visited India only occasionally and there was no one with sufficient authority in India to guide the day-to-day administration of the Company.

(b) The other Directors had only a small financial stake in the Company. Raja Ramdave Row, who was the biggest shareholder Director of the Company in India, had a holding of not more than just a lakh of rupees. Shri Ramachar did not have any shares at all. Shri M.S. Appa Rao held shares worth a few thousand rupees only. Prince Mukarram Jah Bahadur, the grandson of the Nizam of Hyderabad, did not own a single share. In their capacity as Directors, they often found themselves in an embarrassing situation when they were called upon to explain breaches of the various Acts committed by the Jayanti Shipping Company.

(c) While the fleet was expanded rapidly, no financial provision was made for the running and maintenance of the fleet in a satisfactory condition. Dr. Teja was fully aware of these serious shortcomings, but chose to do nothing to put matters right.

ALLEGATIONS EXAMINED

23. We now proceed to make our observations, seriatim, in regard to each of the allegations summarised in Annexure 'A'.

(A) REMOTE AND AUTOCRATIC CONTROL BY DR. TEJA.

(i) Dr. Teja claims to be a non-resident Indian and has made a statement to that effect before Government authorities. He visited India only occasionally. All real power was concentrated in his hands by specific or general resolutions passed by the Board. We have been shown no documents which had delegated any real powers to any other Director or a Committee of the Directors or indeed even any officers of the Company.

(ii) The Board of Directors was supplied with little information about the various resolutions which they were asked to approve.

(iii) No information was given to the Directors in regard to the financial position and

operational activities of the Company from time to time or even about the terms and conditions on which the incumbents of the key posts in the Company were appointed.

(B) TOP HEAVY AND INCOMPETENT MANAGEMENT.

(iv)(a) Shri Thirumala Rao, M.P., was appointed a Director and Vice-Chairman of the Company with effect from 26.6.1961 when the Company was a private limited company. He was given an honorarium of Rs.1,000/- per month and an allowance of Rs.500/- per month with effect from 1-9-1961. His remuneration was raised to Rs.4,500/- per month, inclusive of all allowances, with effect from 1-1-1963. He severed his connection with the Company with effect from 1-12-1965. We have not been shown any papers assigning any specific duties to him.

(b) Shri Thirumala Rao's son, Shri Ramakrishna Rao was posted in the Company's office in London. His designation, then, was Management Representative. His academic qualifications are M.Com. and LL.B. He completed his education in 1957 and served as Information Assistant for

a little over a year in "India 1958" Exhibition and thereafter in the same capacity in the Government Tourist Office in Delhi from May 1959 to September 1961 before joining the Jayanti Shipping Company. The terms and conditions of his employment in Jayanti were as follows from time to time:-

<u>Pay</u>	<u>Allowances etc.</u>	
Rs. 495/-	-	Joined as Administrative Assistant.
750/-	-	
£.100/-	-	Reached London. He was in a hotel, for the first two months, for which the Company paid the bill.
£.100/-	£.63/-	House given from 18-2-63 for which the Company paid £.63/- for 4 weeks.
£.150/-	£. 4/- per day	He was put in the grade of Rs.1,375-100-2,375 plus £.4/- per day as foreign allowance.. House rent was stopped with effect from 1-4-64. In August 1963, a car was purchased by the Company and registered in his name.
£.1,675/-	Rs.675/-	Free accommodation for which the Company pays Rs.675/- per month.

We have been shown no papers assigning any specific duties to him.

(v) Shri Narayana, Managing Director, had, as already stated earlier, no qualifications or experience for the important post to which he was appointed. Details of his pay and allowances, etc. from time to time have already been given in para 21. He was frequently on tour in India and abroad. The aggregate amount drawn by him during 1964-65 alone by way of travelling and daily allowances came to approximately Rs.80,000/- . The daily allowance given to him while out on tour in India was Rs.120/- per day.

(vi) Shri Hanumantha Rao, a Chartered Accountant was drawing about Rs.600/- per month, all told, in the Life Insurance Corporation before he joined the Jayanti Shipping Company in May 1962. His pay and allowances from time to time were as follows:-

<u>Date</u>	<u>Pay</u>	<u>Allowances etc.</u>
1-5-1962	Rs.750/-	House rent allowance of Rs.150/-.
April 1963	Rs.1,375/- in the grade of Rs.1,375-100-2,375.	House rent allowance 10%.
		Children allowance at 1% of basic pay with a minimum of Rs.15/- per child, restricted to a maximum of two children.
April 1964	Rs.1,475/-	Children allowance as above. House rent was stopped. Instead, house provided for which Company paid Rs.625/-.
April 1965	Rs.1,675/-	-do-

Sept., 1965 Rs.2,075/-

On transfer to Bombay.
House provided for which
Company paid Rs.1,050/-
as rent per month.

From 1965 permitted free use of
car from residence to office
and back.

(C) MISUSE OF COMPANY'S FUNDS.

(vii) Dr. Teja has denied that the cost of his or Mrs. Teja's travels to India and elsewhere was paid by the Jayanti Shipping Company. As all the accounts and records have not been shown to us, we have not been able to verify this statement. We have, however, seen a few vouchers which showed clearly that, at least some of these travels were financed by the Jayanti Shipping Company. We have, indeed, seen some other vouchers which go to show that the cost of similar travels by some other persons who were not even on the pay rolls of the Company and who had not been deputed on any special mission by the Company's management, was also met by the Company. We would have liked to make a thorough probe into this matter, but we were not given access to all the relevant papers.

(viii) we are unable to say whether or not a flat and/or a car are maintained by the Company for the exclusive use of Dr. Teja in London.

We have not been supplied with any information on this subject.

(ix) We have seen some papers indicating certain payments having been made by Jayanti Shipping Company in connection with the personal affairs of Dr. Teja as well as on account of certain other concerns which he wanted to establish. Some of these amounts are stated to have been subsequently reimbursed to the Jayanti Shipping Company from Dr. Teja's personal account with the Jayanti Shipping Company. We have, however, been unable to verify these reimbursements from the relevant records, as these were not made available to us. Dr. Teja's personal account with Jayanti Shipping Company, the maximum credit balance of which had at one time stood at about Rs.1.20 crores, has since been drawn down progressively and it showed a 'nil' balance by March, 1966.

(x) General Kaul's name was not borne on the pay rolls of the Jayanti Shipping Company as shown to us. But we have seen a few entries indicating his salary having been paid by the Jayanti Shipping Company. We were given to understand that General Kaul was a personal consultant of Dr. Teja and that the payments made by Jayanti Shipping Company to him were subsequently reimbursed by debit to Dr. Teja's personal account

with the Jayanti Shipping Company. We have not, however, been able to verify the correctness of this statement, because the relevant records were not shown to us.

FRAUDULENT COLLECTIONS OF COMMISSION BY DR. TEJA.

xiv) We have not been able to investigate any of the allegations regarding fraudulent collections of commission, etc., by Dr. Teja from foreign firms having dealings with the Jayanti Shipping Company. This is, principally, because we have had neither the time nor the means to seek and secure the co-operation of the foreign firms and individuals concerned. It is highly unlikely that these transactions will be reflected in the Company's own books. A detailed examination of them might, of course, reveal some evidence or clues in the matter. But we could locate such evidence or clues only if all the relevant records had been made available to us. Since the Company's management has not given us any co-operation in the matter, we are unable to say whether or not these allegations are correct.

DEFICIT IN FOREIGN EXCHANGE

Enquiries made from the Reserve Bank of India show that the foreign exchange earnings as reported by the Jayanti Shipping Company, from time to time, did not tally with the remittances received in the

Reserve Bank. The Company's staff has explained that the discrepancies involved were due to the Company's reports being made on the basis of accruals, while the remittances to the Reserve Bank represented the actual amounts received. Anyhow, these discrepancies have remained unresolved, by and large. The statements submitted by the Company were, besides, not supported by documentary evidence, even where this was required in terms of the Foreign Exchange Regulations. Also these statements were submitted neither regularly nor punctually.

(xvi) A perusal of some of the agreements, contracts and supplements thereto, which were shown to us only casually, has left us with a strong suspicion that at least some of the foreign exchange earnings have been syphoned off abroad in the shape of unusually large commissions, rebates, discounts, etc. A closer study of all the relevant material available in India and abroad might have disclosed sufficient evidence to confirm this suspicion. But we have not been allowed access to all the relevant records and we are unable, at this stage, to say anything categorically on this subject.

(xvii) The allegations regarding undue capitalisation of the cost of repairs to the Liberty ships on acquisition, instead of its being recovered from the

sellers, appears to be at least partially correct, as admitted to us verbally by one of the senior members of the Jayanti staff. But we have not been shown the relevant contract of purchase as well as the accounts bearing on this transaction. We are, therefore, unable to say how far this allegation is really correct.

- (xviii) Some entries in the Company's books show that large amounts were spent on repairs to ships abroad. We cannot, however, say whether all the ships were maintained properly or not, because we have seen no reports on their condition by technical experts.
- (xix) It is difficult for us to say, in the light of the information made available to us, whether or not any ships were chartered at lower than market rates. But we have seen considerable evidence in the various charter-party agreements and supplements thereto, casually shown to us, to conclude that the commissions, rebates, etc. allowed to the brokers and the charterers themselves were unusually high. Commissions have, in some cases, been allowed to even two or three brokers simultaneously.

(F) MISUSE OF PROVIDENT FUND AND INCOME-TAX DEDUCTIONS.

- (xx) Provident Fund accumulations, amounting to Rs.16.90 lakhs, standing to the credit of its employees have not been invested in any Trustee Securities, or remitted to the appropriate authority, as required under the law. (cf. items 15 and 16 of

the Annexure "F"). These accumulations are being used, instead, for the business of the Company as borrowings at 12 per cent per annum.

xxi) Income-tax deductions from salaries paid to staff and amounting to Rs.1.20 lakhs are still not remitted to Government. (cf. item 17 of the Annexure "F"). This is also a contravention of the provisions contained in the Income Tax Act and Rules. It may be noted here that only a few months earlier, a much larger amount (of the order of Rs.9 lakhs) was lying unremitted with the Company on this account.

(G) NON-PAYMENT OF BILLS FOR SUPPLIES AND SERVICES.

(xxii) We find that this allegation is quite correct. The Company owes to suppliers and repairers an aggregate amount of Rs.70 lakhs (cf. item 9 of Annexure "F"). Most of these outstanding s are fairly old. The Company's credit in the market is, accordingly, very low.

(xxiii) The allegation about the Company's failure to pay in time port charges, advances to floating staff and shipping agents and amounts due to stevedores and longshoremen, is correct. The outstanding s in this connection amount to Rs.51 lakhs. (cf. item 11 of the Annexure "F"). As a direct consequence of some of these outstanding s, the Company's vessels have been arrested two or three occasions during the recent past. Precise information about the vessels involved and the ports at

which they were detained has not been made available to us by the Company. The Trade Commission of India in Vancouver, Canada, had, however, informed the Government of India that two such ships - Krishna Jayanti and Asoka Jayanti - were detained at ports on the West Coast of America.

(H) NON-PAYMENT OF DUES TO STAFF ON RESIGNATION AND RETRENCHMENT.

(xxiv) We are inclined to believe that this allegation is also correct, although Dr. Teja's contention was that there was a dispute about these amounts between the Company and the staff retrenched by him.

(I) NON-INSURANCE OF SHIPS.

(xxv) This allegation is correct, as a number of ships, whether acquired with or without Government loans, would have been left uncovered by insurance companies because of the Company's failure to pay in time insurance premia to the extent of Rs.23.00 lakhs. (cf. item 13 of Annexure "F") Under Government instructions, loan-ships were covered by the insurance companies concerned on promise of payment of the due premia either by the Jayanti Shipping Company or the Shipping Development Fund Committee. Government did not extend the same treatment to non-loan ships. The position has, however, changed now due to Government

having taken over the management of the Jayanti Shipping Company. All the ships now stand duly covered by insurance.

(J) IMPRUDENT BORROWINGS.

(xxvi) This allegation is correct. Deposits received from the public and already due for refund but not yet paid back, as well as interest accrued but not yet paid in respect of such deposits (interest on all deposits is payable monthly) amount to Rs. 22 lakhs (cf. items 7 and 8 of Annexure "F"). The total amount to be paid on this account will be Rs. 56.16 lakhs by the close of the current financial year. These deposits have been received at 12% per annum plus 2% commission to the broker who had procured them. He gets, besides, a further commission of 2% on each renewal of such deposits. The depositors, many of whom are petty investors, have been put to much inconvenience, financial loss and mental worry.

(K) MISCELLANEOUS.

(xxvii) The debt-equity ratio, viz. 4 : 1 as prescribed by Government under the agreement with Jayanti Shipping Company was adhered to except very recently. Even here the variation is small. This allegation is, therefore, not quite correct.

(xxviii) A sum of U.S. Dollars 32,200/- allowed by the Japanese Shipyard was not refunded by Dr. Teja to the Shipping Development Fund Committee until this matter was repeatedly pressed on him by the Government Director. Finally, he did refund this amount.

(xxix) This allegation is correct. As will be evident from the statement at Annexure "F" to this report, the Company requires, on its own admission, a sum of about Rs.3.24 crores now and another Rs.3.24 crores during the period upto 31st March 1967. As against this, it has hardly any unencumbered assets or free funds except what may come in as the surplus of current income over current expenditure. Our own appreciation of the position in this regard is given in detail in Annexure "G".

(xxx) This allegation is also correct. Its truth will be evident from the very proposition put forward by the Company for the immediate sale of four of its ships to meet its current liabilities and commitments. Our appreciation has been that even this sale would leave the company with a deficit of at least Rs.1.52 crores. A reference in this

connection is invited to Annexure "H".

No witnesses examined

24. We have not considered it necessary to examine any witnesses. Thanks to the non-cooperation of the Company's management, we could not get, until almost the last few days of our investigations, any sufficient evidence from the accounts and records of the Company, which would have enabled us to question purposefully any of the witnesses who might have turned up to depose before us. Those who had made the allegations would have only repeated their accusations, while those were answerable for the irregularities and improprieties involved would have made statement which we could not challenge or rebut. Besides, we were not sure who among the key personnel concerned—such as Dr. Teja, or Shri G. Narayana, or any other Directors of the Company — would have willingly come forward to be cross examined by us. We had no authority to compel them to appear before us. Any attempt to secure their presence was highly likely to result only in further infructuous delay for which we saw little justification. We have, accordingly made this report on the basis, primarily, of such material only as we have been able to locate in the accounts and records made available to us by the Company's management and such other relevant

papers as we could draw upon in the offices of the Ministry of Transport, the Shipping Development Fund Committee, the Director General of Shipping and the Government Director on the Board of Directors of Indian Shipping Companies.

Thorough probe
necessary

25. It is evident from what has been stated in the foregoing paragraphs that we have been unable to come to any firm conclusions in regard to a number of allegations referred to us. Even where firm conclusions have been reached, the precise extent of the irregularity or impropriety involved could not be determined with any finality. A thorough probe is, therefore, still very necessary if the precise truth about all the allegations is to be known. A systematic examination of all the accounts and records, in India and abroad, may indeed result in the discovery of many irregularities and improprieties which have not even been suspected so far.

Re-construction
of accounts from
the very begin-
ning is
necessary

26. It will be further necessary, if a thorough investigation into all the allegations has to be made, to reconstruct the accounts of the Company from the very beginning. A history-sheet of each vessel must, in particular, be prepared to see whether or not all earnings, which

were due to be collected as per terms of the relevant contracts, have been received and properly accounted for. The hires earned, the rebates allowed and the commissions, etc. paid should be checked with the prevalent market rates and practices. The Commissions and rebates receivable, as per specific terms of the relevant contracts and or as per prevailing market rates and practices, in respect of all purchases of vessels, equipment, spares, bunkers, victuals and all other supplies and services, etc. should also be checked to ensure that they have been duly received and properly accounted for. It should be further verified whether or not all receipts of foreign exchange, on whatever account they may be, have been duly remitted to the Reserve Bank of India and all expenditure of foreign exchange undertaken with its prior permission or under intimation to it, in accordance with the relevant Foreign Exchange Regulations. This is necessary, in particular, if the various allegations about the leakage of foreign exchange are to be verified

Fraudulent
dealings
most diffi-
cult to
investigate

27. The various allegations regarding fraudulent or irregular collections of commission, etc. by Dr. Teja from foreign firms having dealings with the Company are, obviously, the most difficult to investigate. We have photostats of some letters which seem to be incriminating. It is, however,

to be established that they are true copies of genuine letters. Necessary co-operation of the non-nationals concerned will have to be sought and secured, if possible. Supporting evidence may also have to be found in the records and accounts of the Company. Missing links, if any, will have to be supplied. It will, in any case, be a very difficult exercise.

Concluding observations

28. Government having taken over the management of the Company with effect from the 10th June, 1966, for a period of five years in the first instance, it should now be possible to reconstruct the accounts of the Company from the very beginning and make a systematic investigation into all the allegations already on record and also into such other irregularities and improprieties as may come to notice on a detailed examination of all the relevant material. This is bound to be a very arduous job, for all the records and documents may not be available and, in any case, all the links of every transaction may not be easily established. But be that as it may, the task has to be undertaken if the truth about these allegations has to be known and the precise extent of irregularities and improprieties involved has to be established.

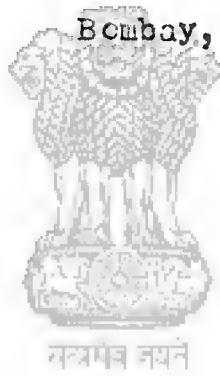
-:40:-

Should Government accept our view that further detailed probe on the lines suggested is called for, we would recommend that the task may be assigned to such agency with adequate powers as may be considered necessary for this purpose.

Sd/- (S.L. Bhalla)

Sd/- (Y.N. Sukthankar)

Bombay, the 11th July, 1966.





ANNEXURES

ALLEGATIONS

(A) REMOTE AND AUTOCRATIC CONTROL BY DR. TEJA.

- i) The Chairman of the Company, Dr. J.D.Teja, who affirms to be a non-resident Indian, is in fact a citizen of U.S.A., for he has already renounced his Indian nationality. In any case, he visits India but rarely and for short periods only. Yet all power vests in him and is exercised by him alone.
- ii) The Board of Directors is no. an effective body. It meets only to accord approval to the decisions already taken by Dr. Teja or to authorise him to take such action as he might think proper.
- iii) The Directors do not have even a clear picture of how the affairs of the Company are being managed by Dr. Teja from time to time.

(B) TOP-HEAVY BUT INCOMPETENT MANAGEMENT.

- iv) The Vice-Chairman, Shri M. Thirumala Rao, M.P.,* is paid Rs.4,000/- per mensem. This is a sinecure. His son is given, besides, a very lucrative job in the Company's office in London.
- v) The Managing Director, Shri G. Narayana**, has no qualifications for the post to which he has been appointed. Yet he is paid Rs.4,500/- per mensem, besides other perquisites. A house and a car are also reserved for him at Bombay. He draws Rs.120/- per diem for visits to Bombay and other places in India. He is also making frequent trips abroad. He is a nephew of Dr. Teja.
- vi) Accounts Officer, Shri Hanumantha Rao was drawing Rs.600/- per mensem in L.I.C. He now draws Rs.2,500/- per mensem. This undeservedly high salary is paid to him to fudge the accounts of the Company.

* Shri M. Thirumala Rao was Vice-Chairman from 26.6.61 to 30.11.65.

** Shri G. Narayana was Managing Director from 17.5.62 to 30.11.65.

(C) MISUSE OF COMPANY'S FUNDS.

- vii) Frequent foreign travels of Dr. Teja, Mrs. Teja and others on missions not connected with Jayanti's work, or only partially connected with Jayanti's work, are being financed exclusively, or for the most part, by Jayanti.
- viii) A flat and a car are maintained for Dr. Teja in London at Company's cost.
- ix) Dr. Teja's other concerns are also being financed, at least partly, by Jayanti.
- x) General Kaul's salary for his assignment in Tokyo as the personal consultant of Dr. Teja is paid by Jayanti. A car is also provided for him by Jayanti.

(D) FRAUDULENT COLLECTION OF COMMISSION BY DR. TEJA.

- xi) Dr. Teja has secretly received £.37,000 as commission from the Japanese Shipyards in connection with the purchase from them of the Tanker "VIKRAM JAYANTI".
- xii) The Charter party of "Vikram Jayanti" has also been got discounted by Dr. Teja for the equivalence of Rs.48 lakhs, which was deposited by him in the State Bank of India in his personal name. He has since taken away the interest accrued on this deposit as well as a sum of Rs.7 lakhs out of its principal.
- xiii) Dr. Teja has, besides, collected Rs.44 lakhs in foreign exchange as commission from the Japanese Shipyards, in the name of Varuna Corporation in Switzerland.
- xiv) He has, in addition, taken substantial commissions, estimated at two to three million pounds in the aggregate, on the purchase of other vessels and from charter-hire parties.

(E) LEAKAGE OF FOREIGN EXCHANGE.

- xv) Foreign exchange earnings, as advised in the Company's reports, do not tally with the remittances received in the Reserve Bank. The Company does not also submit such reports regularly and punctually.
- xvi) Foreign exchange earnings are spent abroad most extravagantly and sometimes wholly unjustifiably.
- xvii) On purchasing the Liberty ships, a sum of Rs.40 lakhs to 50 lakhs was spent by Jayanti Shipping Company on changing crew accommodation and getting the necessary surveys done. This amount was recoverable from the sellers. But no such recovery has been made so far.

xviii) Heavy costs are incurred abroad on repairs to ships. Yet they are not maintained in proper gear.

xix) Ships have been chartered away at lower than market rates and for long periods.

(F) MISUSE OF PROVIDENT FUND AND INCOME-TAX DEDUCTIONS.

xx) Provident Fund deductions made from salaries of staff have not been invested in Trustee Securities but are being used for Company's purposes.

xxi) Income-tax deductions from salaries of staff are not remitted promptly to Government but are used for long periods by the Company.

(G) NON-PAYMENT OF BILLS FOR SUPPLIES AND SERVICES.

xxii) Very large amounts due by the Company on account of supplies and services have not been paid for long periods and are still outstanding.

xxiii) Port charges and advances due to floating staff and Shipping Agents abroad, as well as payments due to stevedores and longshoremen, are not paid in time. Consequently, a number of ships have been impounded or otherwise detained in foreign ports in the recent past.

(H) NON-PAYMENT OF DUES TO STAFF ON RESIGNATION AND RETRENCHMENT.

xxiv) Amounts due to members of the staff, who were retrenched or who have resigned, have not been paid for long periods.

(I) NON-INSURANCE OF SHIPS.

xxv) Even those ships, which have been specifically mortgaged to the Shipping Development Fund Committee, have not always been kept duly insured.

(J) IMPRUDENT BORROWINGS.

xxvi) Deposits have been raised from the public to the tune of about Rs.40 lakhs on interest @ 12 per cent per annum plus brokerage @ 2 per cent. Defaults in payments of principal as well as interest have already occurred.

Contd.....

21

(K) MISCELLANEOUS.

- xxvii) The Debt-Equity Ratio, as prescribed by Government in the Agreement executed with Jayanti has not been observed.
- xxviii) A rebate of 32,200 dollars, which was allowed by the Japanese Shipyards on account of deficiency in the dead-weight of ships manufactured by them for Jayanti, was not remitted by the latter to the Shipping Development Fund Committee for a long time.
- xxix) The cash position of the Company is extremely tight. Current liabilities far exceed current assets.
- xxx) There has been a considerable erosion in the worth of the Company since its inception. The Company is heading towards insolvency.



SHIPINDIA ND
SHIPINDIA BY371

FOR DR NAGENDRA SINGH TRANSPORT NEW DELHI

TLX ON 10-5-66 AT 1859 HRS .

REGRETFULLY INFORM YOU OF INCREASING LACK OF
COOPERATION FROM LOCAL JAYANTI STAFF (.) THEY REQUIRE
WRITTEN QUESTIONS TO WHICH PRESUMABLY THEY WILL GIVE
REPLIES AFTER CONSULTATION HIGHER UPS (.) IMPOSSIBLE
FOR COMMITTEE FUNCTION IN THIS MANNER (.) FOR EFFECTIVE
ENQUIRY FREEDOM ESSENTIAL WITHOUT DISCLOSING PRECISE
OBJECTIVE TO COLLECT INFORMATION FROM ALL PRIMARY
SOURCES SUCH AS ACCOUNT BOOKS STATEMENTS AND RETURNS
VOUCHERS AND ALL RELEVANT FILES (.) THESE MUST BE
MADE AVAILABLE TO US WITHOUT LET OR HINDRANCE (.)
REQUEST YOUR CONTACTING DR TEJA IMMEDIATELY AND REQUIRING
HIM ISSUE CLEAR AND DEFINITE INSTRUCTIONS TO LOCAL
STAFF FOR FULL COOPERATION ON SUGGESTED LINES (.)
ALSO VITAL THEIR ELUCIDATION ON QUERIES RAISED BY US.

SUKTHANKAR GOVTD DIRECTOR.

GOVERNMENT OF INDIA
OFFICE OF THE GOVERNMENT DIRECTOR ON THE
BOARD OF DIRECTORS OF INDIAN SHIPPING COMPANIES

C.G.O.BLDGS.,
QUEENS ROAD,

No.19-GD(2)/66

BOMBAY, Dated the 12th May, 1966.

My dear Dr. Nagendra Singh,

I am enclosing herewith a copy of the telex message sent to you stating that the local Jayanti staff has, since the resignation of Mr. Lalji Mehrotra, practically ceased all co-operation with the Enquiry Committee. As desired by them, Mr. Bhalla gave them written requisitions giving a list of items on which information was required by the Committee. Even to these requests no reply is forthcoming. The procedure followed by the staff, apparently, is that the requisition is sent to their Delhi office. Presumably even the Delhi Office is not authorised to give any information and perhaps the requisition is referred to Dr. Teja wherever he may be at the time, as the resignation letter of Mr. Lalji Mehrotra plainly states, all information to be supplied to the Committee must be approved previously by Dr. Teja. This is, of course, quite contrary to the Board of Directors resolution passed extending full co-operation to the Enquiry Committee. Indeed, it is these circumstances which led to the resignation of Mr. Mehrotra.

You will appreciate that such a long winded procedure is likely to make our enquiry difficult and in result, it may not be possible for us to submit the report to Government within the time allotted to us. Nevertheless, Mr. Bhalla, his Accountant, Saxena, as well as Asstt. Cost Accounts Officer, Biswas of the Govt. Director's Office, are doing their best to collect as much information as they can. Mr. Bhalla intends to keep to his schedule and return to Delhi on the 14th. I am due to reach Delhi on the 17th morning. On reaching Delhi, we intend collecting information from the Jayanti Shipping Company's office in Delhi and it is to be seen if that office will be more co-operative than the Bombay office. But we cannot say anything definitely at this stage. I shall keep you informed of further developments. In the meantime, I would make a request to you that Dr. Teja should be told to give clear and definite instructions to his staff and all the offices of the Jayanti Shipping Company to extend full co-operation to the Enquiry Committee on the lines suggested in the telex message.

Yours sincerely,

Sd/- Y.N. Sukthankar.

Dr. Nagendra Singh,
Secretary,
Ministry of Transport,
New Delhi.

CONFIDENTIAL

Subject: Jayanti Shipping Co. Enquiry Committee.

We are compelled to bring to the notice of Government that the co-operation initially promised and extended to us by the Jayanti Shipping Company Ltd., has since been progressively withdrawn and that we are not now receiving it in any worthwhile measure. In these circumstances, we are finding it extremely difficult to make any headway with our enquiries.

2. We commenced our examination of the accounts and records of the Company in its Central Accounts Office at Bombay on the 25th April, 1966. The Vice-Chairman of the Company, Shri Lalji Mehrotra, was himself present in Bombay on that day. He promised to us his full co-operation and directed all heads of departments of the Company at Bombay to give us free access to all books of accounts and documents, etc., and also to attend most promptly to all the queries which we may make. But we had hardly settled down to our work when a telex was received by Shri Mehrotra from the Chairman of the Company, Dr. J.D. Teja, who was then in France, directing inter alia that no replies to any of our queries should be given without consulting him in advance through telex messages to be exchanged with him at his London address. The relevant extract from the telex is reproduced below:-

"Would deeply appreciate if copies of Sukthankar Committee letters addressed to the Company are sent to me care of London Office before final answers are given and my comments noted, since I have been Principal Executive Officer of the Company and person most responsible. Please advise the Accounts Dept. all other departments of the Company of above. Kindly put your replies for me to London Office telex".

3. The instructions of Dr. Teja referred to above made for almost a negation of the co-operation which had been promised and extended to us by Shri Mehrotra. Anyway, Shri Mehrotra resigned his office within a couple of days thereafter and severed his connection with the Company. The officers and staff of the Company at Bombay have since been evading to give us any straight and helpful replies.

4. We had to be in Delhi during the first week of May, 1966 in connection with some urgent investigations there, but had left behind in Bombay two of our Assistants to continue collection of some further data on the lines indicated to them. We rejoined our Assistants at Bombay on the 9th instant. But we find that even the small measure of co-operation which we were still receiving from the officers and staff of the Company at Bombay has now been almost completely withdrawn.

5. On seeking to know the reasons why we are not being given the promised co-operation, we are given to understand that Dr. Teja, who was in Delhi last week-end, has repeated his earlier instructions to the officers of the Company at Bombay, some of whom were specially summoned to Delhi for this purpose. Pursuant to these instructions, the officers and staff of the Company at Bombay now insist that we should give to them in writing whatever we may require, whether they be books of accounts and records or any information or elucidations. Their replies, too, we are told, will henceforth be given only in writing, after consulting their superiors - presumably, Dr. Teja himself - wherever necessary.

6. We have already informed the Secretary, Ministry of Transport and Aviation, through a trunk call and a telex sent on the 10th instant, followed by a doo. on the 12th instant, how difficult it is for us to function effectively in this situation. Written requisitions and queries from our side and written replies from the Company's side will not only delay considerably the completion of our enquiries, but may even thwart the very purpose of some of our ~~xxxxxxxxxxxxxx~~ investigations by disclosing prematurely to the management of the Company the precise point, or points, we may be seeking to establish. We cannot, besides, accept without independent verification the information which the management of the Company may choose to give us. We must have absolutely free and unfettered access to all books of accounts and records including correspondence files, contracts and agreements, etc., so that we may satisfy ourselves that the information furnished by the Company is correct and complete in all respects and also re-appraise the position ourselves wherever we think it necessary to do so. It is also necessary in this connection that the heads of departments of the Company should have instructions to give us promptly and without reservation any elucidations we may seek from them. Unless, therefore, Dr. Teja can be persuaded to give us full co-operation by issuing clear and emphatic instructions to all officers and staff of the Company on the lines indicated above, our enquiry will hardly serve any useful purpose.

7. Dr. Teja has again gone abroad and for almost a whole week past we have not been getting replies from the local officers of the Company to even the most innocuous of our requisitions and queries, although they have been given to them in writing, as insisted upon by them. In the absence of Dr. Teja, the Company is just unable to take any decisions and its local officers are not willing even to confirm or deny in writing that they have any instructions in the matter from Dr. Teja. We quote below verbatim the ext of a letter handed in by us on the morning of the 11th instant, to which we are still awaiting a formal reply:-

Contd.....

" Attention - Mr. K.N.G. Menon/Mr. D.H.Rao

I and my Assistants are being asked since yesterday to give in writing all our requisitions for books and files, returns and statements, contracts and agreements, bills and vouchers, etc., etc., as also all queries which we may have to make or elucidations etc. which we may have to seek. Your replies, too, it is indicated, will now be given in writing, after consulting your superiors, if necessary. Kindly confirm.

Sd/- S.L. Bhalla".

A formal reply, we are informed verbally, will be given only after clearance from the Company's Head Office at Delhi. The Head Office may, for all we know, be consulting Dr. Teja abroad.

8. Since further queries in the Central Accounts Office of the Company at Bombay do not appear to be yielding any useful results in the situation at present obtaining here, we will be shifting to Delhi next week to see what information, if any, the Head Office of the Company there is able and willing to give. Meanwhile, Government may consider and decide how the situation created by the non-cooperation of the Company's management is to be dealt with.

Sd/- Y.N. Sukthankar.

Sd/- S.L. Bhalla.

Bombay,
13th May 1966.

Dr. Nagendra Singh,
Secretary,
Ministry of Transport,
New Delhi.

P.S.

Since the above note was signed by us but before I left Bombay for Delhi, I was verbally informed by the Company's officers that another telegraph had been received by them that day from Dr. Teja directing them to show to us nothing but the books of accounts maintained by the Company and forbidding them most sternly to give any replies in writing to any of the questions or queries which we may raise. This makes the position still worse. The accounts books of the Company have little value for us if we are not to be given access to all the relevant documents - viz., Contracts, agreements, vouchers etc., Dr. Teja is determined, it seems, to thwart the purpose of our inquiry. Government may, therefore, now consider how to meet the situation.

Sd/- S.L. Bhalla.

New Delhi, 14.5.66

CONFIDENTIAL

Subject: Jayanti Shipping Company
Enquiry Committee.

In our note dated the 13th May '66: supplemented by a post-script dated the 14th May '66 we have already brought to notice how the co-operation initially promised and extended to us by Shri Lalji Mehrotra, the then Vice-Chairman of the Jayanti Shipping Company, Limited, has since been progressively withdrawn by the officers and staff of the Company at Bombay under instructions from Dr. J.D. Teja, the Chairman of the Company, and how under these circumstances we were finding it extremely difficult to make any headway with our investigations in the Central Accounts Office of the Company at Bombay.

2. Our experience at the Head Office of the Company at New Delhi during the week expiring today has been still worse. The Secretary of the Company, Shri V.C. Singh, has been unwilling to show us any papers until he receives specific instructions from his superiors, to which end he states to have sent a telex to Shri Rousseau, the newly appointed Executive Director, who is now stated to be in Bombay. It is

here in Bombay worth noting here that while we are now in New Delhi, Shri Rousseau has gone away to Bombay.

Shri Rousseau is in New

Delhi and that

3. While the instructions stated to have been sought by Shri Singh from Shri Rousseau are still awaited, Shri Singh, we find, has already addressed a letter to you, presumably as directed by his superiors, in which he

- (a) seems to question the very right of Government to institute the present enquiry;
- (b) professes ignorance of the terms of our reference;
- (c) complains against our deputing any of our Assistants to collect the data that we require;
- (d) expresses his apprehension that these enquiries will dislocate the work of the Company; and
- (e) suggests that Government should lay down, in consultation with the Company, a precise procedure for our enquiry.

Contd....

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A suitable reply to this letter has, this course, already been given by Government. But this letter shows the attitude of the Company's management to the inquiry which we have been asked to make.

4. Even though we commenced our inquiries here on the 16th instant, no papers at all were made available to us until the 19th instant. Even on the 19th instant, all that was produced was just a register or two and that, too, very grudgingly and unwillingly. The same has, been the story on the 20th instant. Most of the information sought for and many of the records required to be consulted are stated to be just not available. We know, of course, by now that the accounts and records of the Company are not maintained properly. But we apprehend that at least some of them are not being produced either pursuant to some specific instructions from higher authorities or in the absence of any instructions on the subject from them.

5. The position being as above, it is obvious that if our inquiries have to be conducted purposefully and completed speedily, the Chairman of the Company, Dr. J.D. Teja, who alone wields all power in the Company, must be called upon to give his unstinted and unreserved co-operation. To that end, he should issue immediately definite and irrevocable instructions to all officers and staff of the Company at its Head Office and in all its branches to

- (a) give us free access to all books of accounts and records, registers and ledgers, bills and vouchers, returns and statements, contracts and agreements, correspondence files and personal files, etc., etc.;
- (b) reply readily to all queries which we may make or elucidations which we may seek; and
- (c) compile for us whatever information and data we may not find readily available in the records as at present maintained by the Company

A copy of the instructions issued as above may further be asked to be made available to us for our information and guidance.

6. Should Dr. Teja be found unwilling to issue immediately clear and emphatic instructions as above, Government may consider how the situation created by the non-cooperation of the Company, should be dealt with.

Sd/- Y.N.Sukthankar.

New Delhi
21st May, 1966.

Sd/- S.L. Bhalla.

Dr. Nagendra Singh,
Chairman, S.D.F.C.

ANNEXURE 1A

JAYANTI SHIPPING COMPANY LIMITED.
17, Parliament Street,
New Delhi.

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P A R T I C U L A R S (1)	Current liabilities i.e. payments which are already due and those which will fall due upto 30.6.1966. (Rupees in lakhs) (2)	Commitments to be met during the period from 1.7.66 to 31.3.67. Rs. in lakhs (3)	Total Rupee's in lakhs (4)
1. Bank of Baroda Limited.	-	6.00	6.00
2. Union Bank of India Ltd.	1.00	3.50	4.50
3. Andhra Bank Limited.	0.25	4.75	5.00
4. Indian Bank Limited	4.50	17.50	22.00
5. Ciba (India) Ltd.	15.00	14.00	29.00
6. Interest on 1 to 5 above.	-	4.00	4.00
7. Public Deposits.	20.00	31.96	51.96
8. Interest on public deposits.	2.00	2.20	4.20
9. Suppliers and Repairers.	70.00	-	70.00
10. Bunkers	47.00	-	47.00
11. Agents & Stevedores.	51.00	-	51.00
12. Commission to Brokers and Guarantors.	-	5.00	5.00
13. Insurance Premia.	23.00	-	23.00
14. Travel agents.	14.00	-	14.00
15. Provident Fund accumula- tions of staff invested in Company's business	12.70	-	12.70

Contd....

	(1)	(2)	(3)	(4)
16. Provident Fund accumulations of seamen not remitted to the appropriate authorities.		45.20		4.20
17. Income-tax deductions from staff salaries not remitted to Income-tax authorities.		1.20		1.20
18. Cargo claims.	2.50		2.50	5.00
19. Bonus	5.00		-	5.00
20. Legal and professional charges.	5.20		-	5.20
21. Miscellaneous outstanding	5.00		-	5.00
22. Provision for bills not received or not yet booked.	40.00		-	40.00
23. S.D.F.C. Repayments.		74.96		74.96
24. Bank Build-up further amount required		72.88		72.88
25. Courtlines	-	27.00		27.00
26. S.B.I. ('Vikram Jayanti')	-	57.60		57.60
	323.55	323.85		647.40

Note regarding the current financial position of
Jamuna Shipping Company

"The accounts of the Company are heavily in arrears. Its management has, besides, not given to me systematically all the relevant vouchers, contracts, agreements etc. It is, therefore, not possible for me to present any precise picture of the company's financial position. However, the best possible estimate that I could prepare under these circumstances leads me to believe that the company requires immediately about Rs.3.5 crores and another amount of the same order until the end of 1966-67. Its total requirement of funds between now and the end of March 1967, would thus be of the order of about Rs.7 crores.

The Company hopes to get during the remaining months of the current financial year about Rs.3.5 crores as surplus of cash inflow over cash outflow. This figure appears to be very unlikely of achievement. The Company has indeed compiled three successive appraisals in this connection during the last few months. Each appraisal has tended to inflate the receipts and deflate the expenditure. Going by the first estimate as likely to be more correct, I should imagine that the net surplus of cash flow available to the Company during the remaining months of the current financial year will not exceed Rs.2.5 crores in any case. If this figure is accepted, the net balance of cash required by the Company during the period ending on 31.3.1967 would be of the order of Rs.4.5 crores. The Company states to have a little over Rs.50 lakhs with it in one of its London Banks. If this amount is taken into account, the balance requirement of the Company over the next few months ending on 31.3.1967 would be of the order of Rs.4 crores.

The Company also hopes to be able to avail of a rotating credit of Rs.1.25 crores from repairers and suppliers etc. This would be quite likely if the Company were functioning under normal circumstances. Since, however, its credit in the market has been badly shaken owing to continuing default in payments, it may not be able to avail of any sizeable credit from the suppliers etc. during at least the next few months. The utmost that it may succeed in availing of, may perhaps be of the order of Rs.50 lakhs. This leaves a net balance of about Rs.3.50 crores to be covered by the Company if it has to keep itself going with its present fleet upto the end of March 1967".

Sd/- S.L. Bhalla.
30.5.66.

An appraisal of the financial position likely to emerge from the proposed sale of 4 ships Jayanti Shipping Company.

"F" DUE	RESOURCES AVAILABLE
(In Lakhs of rupees)	(In Lakhs of Rs.)
Net Liabilities	350.00
Other commitments to date upto 31.3.67*	350.00
Total	700.00
	<u>Less</u>
	Reduction in net earnings upto 31.3.67 on account of the proposed sale of 4 ships
	Not surplus of cash-flow upto 31.3.67 after the sale of 4 ships.
Add	
1) Cash balance available from sale price of 4 ships after meeting their outstanding liabilities.	145.00
ii) Cash balance in London Bank	52.00
iii) Rotating credits available.	50.00
iv) Share purchase by Courtlines.	47.00
	294.00
Additional funds required upto 31.3.67 if ships are sold out.	614.00
	<u>152.00</u> <u>614.00</u>
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